

November 9, 2007

**WASHINGTON, D.C.** - U.S. Rep. Charlie Melancon (D-LA) voted today in support of tax relief for 194,068 Louisianians, including 28,120 in the Third Congressional District.

November 9, 2007

Contact: Robin Winchell (202) 225-4031

**WASHINGTON, D.C.** - U.S. Rep. Charlie Melancon (D-LA) voted today in support of tax relief for 194,068 Louisianians, including 28,120 in the Third Congressional District. The Temporary Tax Relief Act (H.R. 3996) contains must-pass provisions that provide Alternative Minimum Tax (AMT) relief and extend a number of popular tax provisions set to expire this year. In 2006, about 4.2 million Americans paid the AMT. Without the Temporary Tax Relief Act, passed by the House today, 23 million Americans will pay higher taxes in 2007.

**The IRS's National Taxpayer Advocates estimates that the average AMT taxpayer will owe an additional \$6,782 in tax.**

The bill passed the House by a vote of 216 to 193.

**"Hardworking Louisianians already pay too much in taxes, and this bill ensures that they won't get hit with a huge, unexpected tax hike next year," Rep. Melancon said. "As a fiscal conservative, I am also pleased that the cost of this tax relief is being fully paid for with offsets, instead of saddling future generations of Americans with even more debt. This bill gives tax relief to middle class families by closing a loophole that allows Wall Street millionaires to avoid paying their fair share of taxes. The Temporary Tax Relief Act will protect almost 200,000 Louisianians from a massive tax increase next year, and I am proud to support it."**

Introduced by the Tax Reform Act of 1969, the AMT sets a minimum tax rate of either 26% or 28% (depending on the amount of the taxpayer's "alternative minimum taxable income," as adjusted) on some taxpayers so that they cannot use certain types of deductions to lower their

tax. By contrast, the rate for a corporation is 20%.

When it was created, the AMT was intended to target 155 extremely high-income households nationwide that had been eligible for so many tax benefits that they owed little or no income tax under the tax code of the time. However, because the AMT is not indexed to inflation and recent tax cuts, an increasing number of middle-income taxpayers have been finding themselves subject to this tax.

In 2006, the IRS's National Taxpayer Advocate's report highlighted the AMT as the single most serious problem with the tax code. The advocate noted that the AMT punishes taxpayers for having children or living in a high-tax state, and that the complexity of the AMT leads to most taxpayers who owe AMT not realizing it until preparing their returns or being notified by the IRS.

**The Temporary Tax Relief Act also includes an increased refundable child credit.** Under current law, a family earning less than \$12,050 would not be eligible for the child tax credit next year. The bill lowers the eligibility threshold in 2008 to \$8,500. For a single mother working fulltime in a minimum wage job, the bill would mean the difference between a child tax credit of just \$35 and a credit of \$568.

The Temporary Tax Relief Act is offset by closing a loophole in the tax code to treat the "carried interest" received by investment fund managers as ordinary income rather than capital gains. In exchange for managing their investors' assets, fund managers often receive a portion (usually 20%) of the fund's profits. H.R. 3996 clarifies that this income is compensation for services rather than investment income and is subject to ordinary income tax rates (up to 35%) rather than the much lower capital gains rates (only 15%).

In other words, fund managers would pay the same taxes on their income that teachers, nurses, and other workers pay on their income, rather than the lower rate that investors pay on the profits from the investments.

The bill also extends a deduction for property taxes paid by homeowners. A summary of the tax relief offered in this bill can be found here: <http://waysandmeans.house.gov/media/pdf/110/Summary%20for%20Distribution2.pdf>

Briefly, the bill would:

### **Cut Taxes for Millions of Middle-Class Families**

- Protect 23 million middle-class families from being hit by the Alternative Minimum Tax;
- Provide 30 million homeowners with property tax relief;
- Help 12 million children by expanding the child tax credit;
- Benefit 11 million families through the State and local sales tax deduction;
- Help 4.5 million families better afford college with the tuition deduction;
- Save 3.4 million teachers money with a deduction for classroom expenses; and
- Provide thousands of American troops in combat with tax relief under the Earned Income Tax Credit.

### **Restore Tax Fairness**

- Close tax loopholes that allow the privileged few on Wall Street to pay a lower tax rate on their income than other hardworking Americans, such as teachers and firefighters.
- Stop hedge fund managers and corporate CEOs from escaping income taxes by using offshore tax havens as unlimited retirement accounts, while middle-class families play by the rules and pay their fair share of taxes.

### **Ensure Fiscal Responsibility**

- Protect future generations by not asking them to finance current tax cuts. Recent fiscal policies have resulted in \$9 trillion of national debt, with an average daily interest payment of more than \$1 billion. Each American's share of this debt exceeds \$30,000 per person.

## **Grow the Economy**

- Extend the R&D tax credit to promote innovation and high-paying jobs.
- Provide tax relief to millions of homeowners suffering from the current housing crisis.
- Ensure long-term economic growth by adhering to pay-as-you-go budget rules. These rules helped produce record budget surpluses and a robust economy in the 1990s by mandating no new deficit spending.